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UNCLAS ANKARA 007329

SIPDIS

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TAGS: [ETRD](#) [PREL](#) [ENRG](#) [TU](#) [IZ](#)

SUBJECT: TRADE U/S ON TRADE PROTOCOL WITH IRAQ, DISCUSSIONS WITH TALABANI

REF: A. (A) ANKARA 7253

[1](#)B. (B) ISTANBUL 1596

[1](#)1. (SBU) Summary: Foreign Trade U/S Tuncer Kayalar told us November 20 that the pre-war Turkey-Iraq trade protocol was a swap arrangement, under which Iraq shipped crude oil to Turkey in return for Turkish goods. Kayalar confirmed that Iraqi authorities had transferred oil to Turkey before Operation Iraqi Freedom for goods that still have not been delivered. The GOT has paid all Turkish exporters, and has now received approval from CPA and Iraqi officials to ship at least some of the goods that had been on hold since the war. In other cases, Iraqi importers are working with Turkish exporters to change pre-war contracts to meet current Iraqi needs, but Kayalar said all such deals will have to be approved by CPA. The U/S was unfamiliar with the specific case of media equipment said to have been ordered from Istanbul-based al-Huda, but promised to look into it. He added that the GOT had proposed to visiting IGC President Talabani a re-start of the bilateral trade protocol. Ref A reports on an agreed minute between State Minister Tuzmen and Talabani on bilateral economic matters. End Summary.

[1](#)2. (SBU) Foreign Trade U/S Tuncer Kayalar explained to us the workings of Turkey's pre-war bilateral trade protocol with Iraq. According to Kayalar, the protocol was a swap mechanism, under which Iraqi sent crude petroleum to Turkish authorities, who sold it on the market and used the proceeds to pay Turkish exporters, who subsequently sent goods to Iraq under previously-agreed export contracts. The onset of Operation Iraqi Freedom stopped the mechanism, with some Turkish goods already paid for (with oil) but not yet delivered. Kayalar clarified that the GOT had already paid the relevant exporters, and was now working with Iraqi officials and CPA to obtain "clearance" to ship the goods.

[1](#)3. (SBU) The U/S said his office had already sent a list of pending contracts to Baghdad, and had received CPA's approval to ship them (with the shipments expected in the coming days). In other cases, Iraqi importers wanted to change the shipments to meet changing demands in Iraq, and were working with Turkish exporters to amend contracts. Kayalar said all of these amended contracts would have to be approved in Baghdad, by CPA, before the shipments would take place. He said he was unaware of the specific case of media equipment ordered from Istanbul-based al-Huda (ref b), but promised to look into it.

[1](#)4. (SBU) Kayalar said the GOT had proposed to visiting IGC President Talabani a continuation or re-start of this protocol, again involving barter for Iraqi crude, and Talabani had been positive. The two sides had also agreed to begin negotiations on a preferential trade agreement and the opening of a second border gate (Ref A contains the GOT-drafted text of an agreed minute expected to be signed by the two sides November 21). State Minister Tuzmen had complained "harshly" to Talabani about "outrageous" fees being levied on the Iraqi side of the border; Kayalar said elements in northern Iraq were charging anywhere from \$70 to \$700 per truck for passage. The fee, he said, appears to depend on "how they feel when they wake up."

[1](#)5. (SBU) Kayalar said Tuzmen had also sought Talabani's support in gaining Baghdad's approval for implementation of \$300 million worth of Turkish export contracts signed when Minister Tuzmen visited Baghdad in November 2002, and for implementation of two oil production contracts Turkish companies had signed with Talabani before the war. We pointed out that the situation in Iraq had changed dramatically since then, and that such contracts would have to be blessed by Baghdad. Kayalar said that had been Talabani's response as well.

EDELMAN